



DEPARTMENT OF THE NAVY
OFFICE OF THE ASSISTANT SECRETARY
(FINANCIAL MANAGEMENT AND COMPTROLLER)
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09 MAR 1998

MEMORANDUM FOR DISTRIBUTION

Subj: PROCEDURES FOR EXPENSING PROBLEM DISBURSEMENTS IN THE NAVY
WORKING CAPITAL FUND

Ref: (a) PDASN (FM&C) memo of 3 Mar 98

1. Reference (a) is memorandum guidance on the same subject as this memorandum. Reference (c) to the 3 March, 1998 memorandum guidance should correctly read as "PDASN (FM&C) memo of 6 Nov 96" instead of the incorrect listing of "PDASN (FM&C) memo of 11 Jun 96". Please make appropriate pen and ink changes to the 3 Mar 98 memorandum to correct its reference (c).

2. If you have questions or need additional information, please contact LCDR Herschel Rector at 695-3377 or e-mail at rector.herschel@HQ.NAVY.MIL.

Gladys J. Commons
GLADYS J. COMMONS
Principal Deputy
Assistant Secretary of the Navy
(Financial Management and Comptroller)

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Ref: (a) USD(C) memo of 30 Jun 95
(b) ASN(FM&C) memo of 26 Jun 97
(c) PDASN (FM&C) memo of 11 Jun 96

Encl: (1) Procedures for Expensing Problem Disbursements
in the NWCF

Enclosure (1), the Department of the Navy procedures for expensing problem disbursements in the Navy Working Capital Fund (NWCF), is effective immediately. These procedures, which augment section 09 of attachment 2 to reference (a), establish a new data base code (DBC) for industrial activities to identify expenses made for problem disbursements. All problem disbursements that remain unresolved after 180 days shall be expensed and recorded to this new DBC. In the case of supply management activities, the expense (obligation) shall be recorded to a unique account control code for tracking purposes. These procedures also clarify the definitions and use of the 1540 series of DBCs for recording problem disbursements. For problem disbursements caused by the Mechanization of Contract Administration Services system, guidance previously issued in reference (b) should be used to facilitate resolution. This memorandum cancels reference (c).

Additionally, enclosure (1) provides a format for reporting expenses (obligations) made for NWCF problem disbursements exceeding 180 days. This report, by NWCF activity group, shall be submitted to the respective Defense Finance and Accounting Service (DFAS) center, with a copy to the supporting DFAS operating location and the Assistant Secretary of the Navy (Financial Management and Comptroller), Office of Financial Operations (FMO-32), by the 15th day of the month following the report month.

My points of contact for questions in this matter are Ms. Vicki Beck (FMO-32) at (202) 685-6749 or Ms. Lessie Turner (FMO-243) at (202) 685-6741.

Gladys J. Commons

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Assistant Secretary of the Navy
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WORKING CAPITAL FUND

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PROCEDURES FOR EXPENSING PROBLEM DISBURSEMENTS
IN THE NWCF

I. General

A. In compliance with Under Secretary of Defense (Comptroller) (USD(C)) direction of 30 June 1995, the Department of the Navy (DON) must post an obligation or, as it pertains to the Navy Working Capital Fund (NWCF), an expense for all problem disbursements over 180 days old. This policy is applicable for NWCF activities (industrial and supply management) and all other funds in the Department, with only the following exception:

An expense is not required to be recorded for problem disbursements where accounting correction adjustments have already been identified by the DON and submitted to Defense Finance and Accounting Service (DFAS) to be recorded.

B. The USD(C) 180 days age requirement provides for the DFAS centers and operating locations (OPLOCs) to research and resolve all DON problem disbursements within 120 days from the date of discovering the problem disbursement transaction. If within these 120 days, DFAS is unable to correct a problem disbursement, then DFAS must provide the applicable NWCF fund holder with supporting documentation from their research that will enable the NWCF to continue further research for up to **60 days from the date of notification**. If the fund holder is unable to correct the problem disbursement within 60 days, the fund holder will post an expense to fund the unresolved problem disbursement transaction.

C. The requirement to review and adjust problem disbursements in the accounting records has always existed. Historically, before DFAS, the Navy industrial activities were responsible for researching discrepant disbursement transactions. During the period when the DON had this responsibility, for the industrial activities, NAVCOMPT Manual Volume 5 paragraph 054702 addressed the handling and processing of unmatched disbursements (discrepant disbursement transactions). It stated:

"The activity should take prompt action to identify and move these transactions to the proper accounts. All transactions while in these accounts will be reviewed every 30 days."

"If an activity has been unable to resolve a discrepant transaction within 90 days of posting the transaction, a letter detailing all actions taken and requesting assistance is to be sent to the appropriate management command."

ENCLOSURE(1)

Supporting documentation will accompany each request to permit analysis and to disclose system deficiencies requiring action."

This process ultimately led to a write-off.

The difference in the process now, in accordance with reference (a), is the OPLOC will research and resolve problem disbursements for initial 120 days. If the OPLOC is unsuccessful, the problem disbursement will be forwarded to the DON for further research and correction/write-off.

D. Problem disbursements at the NWCF industrial activities has increased significantly over the past years. Although the OPLOCs are responsible for processing these transactions into the accounting records, DON activities must stay informed of the status of their general ledgers. The OPLOCs use the DON Centralized Disbursing and Reimbursement System (DONCDRS) (formally IFCDRS) to download transactions to the general ledger. DON activities should also have access to DONCDRS to review transactions that have been posted to their subhead during the month and to stay abreast of any transactions that may have been posted by the OPLOCs. To obtain access to the DONCDRS, contact ASN(FM&C)/FMO-24.

E. Making an expense adjustment does not eliminate the requirement to research and correct problem disbursement transactions over 180 days old unless the criterion discussed in paragraph IA is met, or written approval to discontinue research efforts is obtained from the ASN(FM&C). However, before the ASN(FM&C) can consider a request to discontinue research, NWCF activities must first meet the minimum research criteria identified in section 7 of attachment a to reference (a).

F. All NWCF fund holders (industrial activities and supply management) shall submit a monthly report of problem disbursements expensed through the current period operating statement to their management commands. The management commands shall consolidate these statements by activity group and provide a monthly report (see attachment (a)) of values expensed for NWCF problem disbursements to their respective DFAS center, with a copy to their servicing DFAS OPLOC and ASN(FM&C)/FMO-32. Reports are due by the 15th day of the month following the end of the report month.

G. Many problem disbursements can be avoided if an expense or obligation (liability) is recorded in a timely manner. To reduce the inflow of unmatched disbursements (UMD) at NWCF activities, receipts for purchased materials and services must be recorded

immediately upon receipt or certification. The receipt/certification information must be forwarded to the servicing DFAS accounting office within 10 work days of receipt of the goods, or completion of the service.

H. Paragraph IIIB1 discusses problem disbursements at the NWCF activities which have been researched and are able to be resolved. In cases where the OPLOC has researched the problem disbursement and finds that a liability was not previously established, then the NWCF industrial activity must ensure that a receipt (or journal voucher) is properly processed through the local management information system within five work days (this action should establish a liability in the system).

II. Scope - This guidance is applicable to UMDs at all DON NWCF activities.

III. Procedures

A. The following is an overview of the process, procedures and responsibilities for unresolved NWCF problem disbursements:

1. Respective servicing DFAS offices are required to provide the NWCF management command and/or the appropriate funds grantor, including the fund holders, with monthly listings of all NWCF problem disbursements 180 days or older. In addition, DFAS will provide a detailed transaction list with supporting documentation for those transactions which DFAS could not resolve within 120 days of their occurrence.

2. Each transaction correcting a problem disbursement and each summary obligation shall be supported by documentation to form the necessary audit trails. This documentation shall be maintained by DON fund holders and their servicing DFAS organizations when the transaction involves a disbursement correction. Documentation shall include, but is not limited to, working papers, vouchers, correction notices, document histories and other related material produced by DFAS during the initial 120 day research period. **Fund holders will notify the management command or funds grantor as appropriate, when the servicing DFAS office does not provide required aging schedules, 120 day listings with supporting documentation, or other requested information necessary to perform problem disbursement reviews.**

3. Procedural problems or related issues resulting from implementing this guidance or resolving NWCF problem disbursements with DFAS shall be coordinated with ASN(FM&C), Office of Financial Operations (FMO-32).

B. The DON's NWCF industrial activities' accounting and reporting systems have only proprietary accounts. Because the industrial activities do not have budgetary accounts, no expense adjustments for unresolved problem disbursements can be recorded into budgetary accounts at that level.

1. Problem disbursements which have been researched and are able to be resolved, shall be corrected by adjusting Unallocated Cost (general ledger account [GLA] 1540 series, see section IV - Definitions) and Accounts Payable (GLA 2100 series) or Accrued Expenses (GLA 2200 series), accordingly. In cases where DFAS has researched the problem disbursement and finds that a liability was not previously established, then the activity must ensure that a receipt is properly processed through the local management information system within five working days. DFAS is required to provide appropriate documentation to the activity showing this transaction has been processed through the system.

2. Problem disbursements which cannot be corrected within 180 days shall be charged to Extraordinary Expense and reduce either Unallocated Cost or Material-in-transit accounts. To maintain the monetary effect of these uncorrected problem disbursements, a subsidiary DBC 4301, Extraordinary Expense-Unmatched, is established to identify these annual expenses. Per reference (a) guidance, although these problem disbursements are expensed against DBC 4301, research must still be completed in accordance with Section I General procedures, of this guidance. Therefore, until resolved, local detail files must be maintained to support each problem disbursement expensed at the local activity. As resolution occurs, appropriate adjustments will be made to DBC 4301 in the fiscal year of resolution.

Note: The liability that may pertain to the UMD in the GLA 1540 series accounts may have been written off to overhead already. If this is the case, then the accounting records have not been totally closed. The offset to the liability that was previously written off is still in GLA 1540 series and, if that is the case, the write-off should be reversed and matched to the disbursement. **The process of expensing the unmatched disbursement will remain in place.**

3. Problem disbursement transactions included in the 180 day listing, but supported by requests for corrections (i.e., NAVCOMPT Form 621, NAVCOMPT Form 2277 or Requests for Billing Corrections; or overpayments to contractors for which DFAS has issued a demand letter), shall be excluded from the provisions of paragraph IIIB2, preceding, and will remain in the Unallocated Cost (DBC 1540) until notified of disposition by DFAS.

Note: If a correction (e.g., as identified in this paragraph) has been provided to the servicing OPLOC, and has not been reflected in the accounting records within an appropriate time frame, activities should follow the appropriate chain of command for reporting this delay.

C. The DON's NWCF supply management activity group supply operations business area accounting and reporting systems have budgetary accounts. Expense (obligation) adjustments for problem disbursements within the supply management activity group may be recorded either at the detail transaction level or at the summary level, with detailed supporting documentation, based upon the systems used to record the expensed (obligated) transactions.

1. Problem disbursements researched at the fund holder level which are able to be resolved, shall be immediately forwarded to the servicing DFAS Center/OPLOC for correction.

2. For problem disbursements which cannot be corrected within 180 days, the fund holder will create an expense (obligation) and direct the servicing DFAS office to post it to the fund holder's records. Fund holders must continue to research the problem disbursement in accordance with Section I of this guidance.

3. Because the DFAS-Cleveland (DFAS-CL) central data base general ledger account 1015 (Undistributed Disbursements) reflects only summary level balances of problem disbursements, NWCF supply management fund holders shall ensure their servicing DFAS center or OPLOC reviews problem disbursements at the allotment level.

IV. Definitions - Reference (a) provides the appropriate definitions for problem disbursements. Other related terms applicable to NWCF in this guidance are:

A. NWCF Management Commands - A headquarters command (primary and secondary activity group) that issues administrative subdivision of funds such as allotments, suballotments or operating targets to a fund holder under its command.

B. NWCF Funds Grantor - A headquarters command, or a subordinate command, that receives funds from a NWCF management command and can issue funds to a fund holder under its command.

C. NWCF Fund Holder - A holder of an administrative subdivision of funds or an operating target, who is responsible for incurring obligations against the administrative subdivision or target and for managing the use of such funds.

D. GLA 1541 (Unallocated Costs-Unmatched) - The purpose of this account is to record activity costs which reject due to a closed customer order, job order, shop, etc., pending identification. The account normally has a debit balance (if an abnormal balance is in this account at month end, request a written explanation from your OPLOC). Examples of items posted to this account are: (1) Material and other costs which cannot be identified to the proper job order or customer order because the order was closed or not yet established. (2) Accelerated labor (except labor identified to a leave code which will not be accelerated) which cannot be identified to the proper job order or customer order because the order was closed or not yet established.

This account should be cleared of all unidentified amounts recorded prior to 15 September at the close of the fiscal year.

E. GLA 1542 (Undistributed Disbursements-Unmatched) - The purpose of this account is to record unprocessed or discrepant charges received against industrial funds which are not immediately recognized as a valid activity disbursement. The account normally has a debit balance (if an abnormal balance is in this account at month end, request a written explanation from your OPLOC). All unprocessed or unmatched disbursements are posted to this account.

All unprocessed or discrepant disbursement registers are posted to this account except summary registers (discussed in GLA 1545). Examples are as follows: (1) register 05, 36, etc. transactions that do not match an outstanding liability (accounts payable, accrual, etc.) or obligation; (2) any unprocessed or discrepant register transaction that does not fit the GLA 1543/1545/1546 description; and (3) Type Code 6W progress payment credit registers.

Note: Duplicate payments to commercial vendors will not be posted to this account, they will be posted to Accounts Receivable, GLA 1321 only. Also, payments for material from Government sources which are unmatched to obligations (liabilities) and payments for materials which contain discrepancies on which corrective action will be requested will be posted to GLA 1493 (Material-in-Transit - Unmatched), not to this account.

The transactions in this account are subject to the procedures for expensing problem disbursements in the NWCF.

F. GLA 1543 (Undistributed Collections-Unmatched) - The purpose of this account is to record unprocessed or discrepant collections received against industrial funds which are not

immediately recognized as valid activity transactions. The account normally has a credit balance (if an abnormal balance is in this account at month end, request a written explanation from your OPLOC). All unprocessed or discrepant collections (transactions with type code 3*) are posted to this account.

The transactions in this account are subject to the procedures for expensing problem disbursements in the NWCF.

G. GLA 1545 Undistributed Disbursements NWCF - Summary Registers - The purpose of this account is to record summary registers and their offsetting reversal BCN 55000. This account normally has a debit balance (if an abnormal balance is in this account at month end, request a written explanation from your OPLOC). Examples are as follows:

1. Interfund summary registers are Register 12 and 09. The offsetting summary reversal register is Register 06, BCN 55000. Registers 12 and 09 are not identified back to any one interfund bill since they are a summary of several bills from supply activities. Register 06 transactions are generated each month when the FS* transactions are processed. Register 06, BCN 55000 transactions are offsets to Register 12 and 09 previously processed. Register 06, BCN 77777 are not summary registers and, therefore, will be processed against existing accounts payable/obligations.

2. Cross Disbursement Registers 21 and offsetting reversal Registers 22, both with BCN 55000. Unaudited Cross Disbursing Register 21 transactions are a summary of several bills from the Army, Air Force, or other Government billing activity. These registers use BCN 55000 on the Register 21 transactions. The offsetting Audited Cross Disbursing Register 22, BCN 55000 transactions process at the same time as Register 22, BCN 77777 transaction processes. The BCN 77777 transaction identifies the entire line of accounting and will be an identifiable charge to an existing Accounts Payable/Obligation.

3. Summary collection registers and their offsetting BCN 55000 transactions.

4. All transactions with a Type Code of 4* and/or BCN 55000 are summary transactions and will be posted to this account. Summary transactions can be processed on many different registers such as Register 05, 06, 09, 12, 21, 22, or 36.

Note: The only Register 21 transaction that will not be posted to this account is the monthly DCPS Denver amount. The gross payroll (GPR) amount will be used to post the bi-weekly

payroll. The monthly payroll totals will be subtracted from the Register 21 amount before posting to this account. When the reversal Register 22 and detail Register 07 are received they will be verified to the amount posted from the GPR, but will not be posted to the accounting records.

The summary registers listed above are not all inclusive. Refer to NAVCOMPT Manual Volume 6, Chapter 3, for a description of accounting registers, and NAVCOMPT Manual Volume 2, Chapter 8, for a description of type codes.

H. The ASN(FM&C) is aware that in GLA 1542 there are suppressed records (BCN 55000) from prior years. These records are not subject to the UMD review process and should be moved into GLA 1545.

